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UNITED NATIONS POPULATION FUND

REVISION OF FINANCIAL REGULATIONS

Report of the Executive Director

1. The Financial Regulations of the United Nations Population Fund were adopted by the Governing Council at its thirtieth session, as contained in paragraph 3 of decision 83/17 of 24 June 1983. The regulations were subsequently amended by decisions 84/21, 90/36, 92/33 and 93/29, at the Council's thirty-first, thirty-seventh, thirty-ninth, and fortieth sessions, respectively, and by decisions 97/7 and 98/21 at the Executive Board's second and third regular sessions, 1997 and 1998, respectively. The Executive Director hereby submits to the Executive Board, for its approval, revisions to existing regulations, as well as proposed new regulations. These revisions are the result of an overall review of the Fund's Financial Regulations as part of the development of a comprehensive UNFPA Policies and Procedures Manual.

2. The revisions also include an addition to the regulations as they pertain to procurement in order to reflect the agreements reached by the Procurement Working Group under the Common Services Task Force established as part of the Secretary-General's reform programme.

3. The proposed revisions to the financial regulations are detailed below. For ease of identification, revisions and additions to the text are shown in bold typeface and deletions are shown with a line through the text to be deleted. For ease of reference, the full text of the regulations cross-referenced in this report are provided in an annex to this report.

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Regulation 2.1: For the purposes of the Financial Regulations of UNFPA, the following definitions of the main entities involved in activities of UNFPA shall apply:

(j) "executing agency" shall mean an entity to which the Executive Director has entrusted the ~~implementation~~ **overall management** of UNFPA assistance to a project **or part of a project (reference Regulation 2.2P(v)), along with the assumption of responsibility and accountability for the effective use of UNFPA resources and the delivery of outputs, and** shall include the following:

(i) a recipient Government or Governments;
(ii) organizations of the United Nations system, i.e., the United Nations, the Specialized Agencies, the International Atomic Energy Agency and other organizations that are or become part of the United Nations system;
(iii) a governmental or intergovernmental institution or agency not part of the United Nations system;
(iv) the UNFPA itself;
(v) a non-governmental organization.

(k) "implementing agency", if other than the executing agency, shall mean an entity engaged by and accountable to the executing agency to provide and deliver programme/project outputs.

Regulation 2.2: For the purposes of the Financial Regulations of UNFPA, the following definitions in respect of specific terms used shall apply [in alphabetical order].

A

(i) "~~agency~~ **administrative and operational** support costs" shall mean the expenses ~~incurred by~~ **reimbursed to** an executing agency as a result of its administration of programme activities financed from UNFPA funds;

B

(i) "biennial support budget" shall mean the budget covering a period of two calendar years to cover the costs of Programme support and **Management and** administration services ~~costs~~ of UNFPA.

C

(ii) "co-financing" shall mean a resource mobilization modality through which contributions may be received from Governments or intergovernmental organizations,

United Nations agencies, NGOs, foundations or private-sector organizations in support of specified purposes consistent with the policies, aims and activities of UNFPA. These contributions may be in the form of cost-sharing or trust funds and shall be considered over and above the regular resources available for programmes.

(iv) "contribution" shall mean cash or in-kind resources provided by a Government, by a governmental or intergovernmental institution, by United Nations agencies, or by non-governmental sources, including civil-society organizations and entities from the private sector, as well as individuals. Contributions cover programme costs as well as programme support and management and administration costs.

(ix) "country programme" shall mean the programme of UNFPA technical assistance in a particular country, prepared by the Government of that country, in collaboration with UNFPA, indicating the proposed use of UNFPA resources towards the achievement or furtherance of selected national reproductive health and population goals during the period covered by the country programme.

F

(i) "fully funded" shall mean that funds **in support of a project/programme** are available in the form of cash on hand or an irrevocable letter of credit **prior to authorization of commitments through allocation of funds**;

I

(i) "implementation" shall mean the procurement and delivery of programme/project inputs and their conversions into programme/project outputs.

(ii) "intercountry" when used with reference to a programme activity or project shall mean regional **or** interregional ~~or global~~, as the case may be.

M

(i) "management and administration" of UNFPA shall mean the activities of the organizational units whose primary function is the maintenance of the identity, direction and well-being of UNFPA. This would include the units that carry out the functions of executive direction, organizational policy and evaluation, external relations, information, administration and audit.

(ii) "managerial and support services" shall mean the full range of management and administrative support provided directly to develop, oversee and monitor projects

financed by co-financing contributions in accordance with the provisions of the funding agreement.

N

(i) "net budget" shall mean the biennial support budget that reflects estimates of payments to be received which offset, in whole or in part, the related gross budget estimates.

O

(ii) "other resources" shall mean the resources of UNFPA, other than regular resources, which are received for a specific programme purpose consistent with the mandate of UNFPA and for the provision of specific services to third parties.

P

(ii) "programme activities" shall mean activities directly associated with the planning, programming and implementation of UNFPA assistance through country, regional, **and** interregional ~~and global~~ **programmes**/projects and shall be distinguished from activities of a programme support and ~~administrative services~~ **management and administration** nature;

(iii) "programme" within the context of the form of presentation of the biennial support budget shall mean ~~a subdivision of the budget~~ **the direct inputs needed to achieve the goals of a specific project or programme for development cooperation. This may typically include experts, support personnel, supplies and equipment, subcontracts, cash assistance and individual or group training**;

(iv) "programme support ~~and administrative services~~" shall ~~include those activities that are undertaken by UNFPA to provide management, technical, administrative, financial and logistical support to its programme activities~~ **mean organizational units whose primary function is the development, formulation, delivery and evaluation of UNFPA's programmes. This would include units that provide backstopping of programmes either on a technical, thematic, geographic, logistical or administrative basis;**

(v) "project" shall mean a separately identified undertaking relating to population matters assisted by UNFPA **that forms part of a sub-programme and/or programme. References to "projects" throughout these regulations and rules shall mean component project unless it is a stand-alone project;**

(vi) "project document" shall mean the formal document, including revisions thereof, covering the agreed arrangements for the implementation of the project ~~which includes, inter-alia, a statement of the immediate and long range objectives of the project, a project work plan, a budget for UNFPA assistance to the project, pertinent background and supporting data~~.

R

(i) **"regular** resources" **shall mean resources available to UNFPA that are comingled and untied.** These shall include pledges of voluntary contributions, other governmental or intergovernmental payments to UNFPA, ~~donations~~ **other contributions** from non-governmental sources, related interest earnings and miscellaneous income.

Regulation 4.3: Voluntary contributions may be pledged either on an annual or **multi-year basis** ~~or for a number of years~~.

~~Donations~~ Other contributions

Regulation 4.9: ~~Donations~~ **Contributions other than those indicated in Financial Regulation 4.1** ~~from intergovernmental and non-governmental sources~~ may be accepted by UNFPA and utilized for the general support of UNFPA or for purposes consistent with those of UNFPA.

Regulation 4.10: Where the purpose of a ~~donation~~ **contribution as described in Regulation 4.9** is the general support of UNFPA and no limitations are imposed by the donor as to its use, the ~~moneys~~ **resources** received shall be ~~treated as donations to UNFPA for~~ credited to the UNFPA Account, as defined in Regulation 2.2 U(i). ~~Donations~~ **Other contributions** proposed for specific purposes shall be treated under the provisions for **cost-sharing in Article IV or** Trust Funds in Article V.

Regulation 4.11: ~~Individual donations of a value in excess of $100,000 shall be accepted only with the prior approval of the Executive Board.~~ **The Executive Director shall report annually to the Executive Board on material contributions received from non-governmental sources.**

Regulation 4.12: The Executive Director is authorized to enter into ~~project, programme and/or~~ cost-sharing agreements, ~~including third party cost-sharing agreements~~, **as defined in Regulation 2.2C(viii)**, provided such cost-sharing arrangements have been accepted by the recipient country or countries, subject to such principles as the Executive Board may establish.

Regulation 5.1: Trust Funds may be established by the Executive Board or by the Executive Director for specified purposes consistent with the policies, aims and activities of UNFPA. Trust Funds which directly or indirectly involve additional financial liability for UNFPA shall be

established only by the Executive Board. **These** Trust Funds ~~established by the Executive Director~~ shall be reported in detail to the Executive Board through the Advisory Committee.

Regulation 5.5: The Executive Director may require reimbursement of managerial and support services costs associated with the management and administration of trust funds up to the amount authorized by the Executive Board.

Regulation 8.2: Under such limits as the Executive Board may from time to time prescribe, the Executive Director is authorized to approve UNFPA assistance to country, regional, **and** interregional ~~and global~~ projects.

Regulation 8.4: Arrangements for the establishment and financing of a ~~country~~ project shall be subject to the written agreement of the requesting ~~Government~~ **party(s)**and UNFPA. Arrangements for project implementation shall be subject to the written agreement of the requesting ~~Government~~ **party(s)**, the executing agency where appropriate and UNFPA. Details of such arrangements shall be specified in the project document which shall also contain such provisions of a general nature as may be deemed necessary to ensure the satisfactory implementation of the project.

Regulation 8.5: Consistent with the overall management responsibility of Governments for their projects, the Executive Director shall consult the requesting Government or Governments concerning the implementation of UNFPA's assistance to a project. **In** keeping **with** ~~in mind~~ the principle of **national capacity building, recipient** Governments **or national non-governmental organizations** ~~execution,~~ must be given first consideration in the selection of an executing agency ~~shall normally be given to organizations of the United Nations system~~. Such selection shall be subject to the agreement of the requesting Government or Governments.

Regulation 8.6: Under conditions established by the Executive Board, the Executive Director is also authorized, subject to the agreement of the requesting Government**(s)** ~~or Governments~~**, to appoint as executing agency an entity other than the recipient Government(s) and as defined in Regulation 2.1(j). The Executive Director may also contract for services of other agencies, private firms or individual experts in the implementation of UNFPA-funded projects.** ~~to contract for the services of other agencies, private firms or individual experts in the execution of projects and to assign projects to a governmental or intergovernmental institution or agency not part of the United Nations system, or to UNFPA itself for execution.~~

Regulation 8.7: **The Executive Director may reimburse** executing agencies **as defined in Regulation 2.1(j)** ~~authorized by the Executive Board may be reimbursed~~ for their support costs up to levels determined by the **Executive Board** ~~Governing Council~~.

Regulation 14.1: The Executive Director~~, in consultation with the Administrator,~~ shall:

(a) Establish detailed financial rules and procedures in order to ensure effective financial administration and the exercise of economy, and circulate the Financial Rules to Members of the Executive Board for information at least 30 days before they become effective;

(b) Cause all payments to be made on the basis of supporting vouchers and other documents which ensure that the services or goods have been received, and that payments have not previously been made;

(c) Designate the officers who may receive moneys, incur obligations or commitments and make payments on behalf of UNFPA;

(d) Maintain an internal financial control which shall provide for an effective current examination and review of financial transactions in order to ensure:

(i) The regularity of the receipt, custody and disposal of all funds and other financial resources of UNFPA;

(ii) The conformity of expenditures and commitments with the allocations, appropriations or other financial provisions decided upon by the Executive Board;

(iii) The economic use of the resources of UNFPA.

Regulation 14.4: The Executive Director may, after full investigation, authorize the writing-off of cash, stores and other assets, provided that a statement of all such amounts written off shall be submitted to the Board of Auditors with the accounts. **The Executive Director may establish from time to time an amount below which formal write-off is not required. Such amounts shall, for administrative efficiency, be charged directly to the relevant allotment/budget line.**

Regulation 14.9: Management of Property

The Executive Director is responsible and accountable for managing the property of UNFPA effectively and efficiently in furtherance of its mandate and activities.

a) The management of property includes all actions necessary for its receipt, custody, maintenance and disposal;

b) The Executive Director may delegate authority, as appropriate, for such management of property.

Regulation 17.2: The Executive Director shall ensure that ~~Governments which are~~ executing agencies~~, and other parties selected for project implementation under Regulation 8.6~~, shall require their auditors to follow, to the extent feasible, the audit principles and procedures prescribed for the United Nations with respect to funds obtained from UNFPA, and shall submit audit reports ~~biennially~~ **periodically as required by the Executive Director** together with the reports specified in the project document and under Article XV of these Regulations.

ANNEX

UNFPA Financial Regulations cross-referenced in this report

Regulation 2.1: For the purposes of the Financial Regulations of UNFPA, the following definitions of the main entities involved in activities of UNFPA shall apply:

(j) "executing agency" shall mean an entity to which the Executive Director has entrusted the overall management of UNFPA assistance to a project or part of a project (reference Regulation 2.2P(v)), along with the assumption of responsibility and accountability for the effective use of UNFPA resources and the delivery of outputs, and shall include the following:

(i) a recipient Government or Governments;
(ii) organizations of the United Nations system, i.e. the United Nations, the Specialized Agencies, the International Atomic Energy Agency and other organizations that are or become part of the United Nations system;
(iii) a governmental or intergovernmental institution or agency not part of the United Nations system;
(iv) the UNFPA itself;
(v) a non-governmental organization.

(as revised in this document)

Regulation 2.2: For the purposes of the Financial Regulations of UNFPA, the following definitions in respect of specific terms used shall apply.

C

(viii) "Cost sharing" shall mean an arrangement by which the costs of projects that are normally charged to UNFPA regular resources, including the reimbursement of the related administrative and operational service costs paid to executing agencies, are covered in full or in part by a contribution or contributions from the recipeint Government, or from one or more Governments other than the recipient Government, or from an organization or organizations of the United Nations system, or from inter-governmental institutions or agencies not part of the United Nations system. Such arrangement may be made on the following basis:

- Project cost sharing whereby the contribution relates to a specific project;
- Programme cost sharing whereby the contribution relates not to a specific project but to all or several projects in a recipient country or region; and

Third party cost sharing, which can be either project or programme cost sharing, whereby the contribution is paid by one or more entities other than the recipient Government.

P

(v) "project" shall mean a separately identified undertaking relating to population matters assisted by UNFPA that forms part of a sub-programme and/or programme. References to "projects" throughout these regulations and rules shall mean component project unless it is a stand-alone project; (as revised in this document)

Regulation 4.1: Voluntary contributions may be accepted by UNFPA from Governments of Member States of the United Nations, of the Specialized Agencies or of the International Atomic Energy Agency.

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